



U.S. Department
of Transportation

Pipeline and Hazardous Materials
Safety Administration

12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 23, 2013

Mr. Charles Sakeagak
Director
North Slope Borough Public Works
P.O. Box 350
Barrow, AK 99723

CPF 5-2013-0008W

Dear Mr. Sakeagak:

On April 23-25, 2013, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your procedures and records for the Nuiqsut natural gas transmission pipeline in Nuiqsut, AK. Field inspection of the gas pipeline was also conducted.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

1. **§192.463 External corrosion control: Cathodic protection.**
(a) Each cathodic protection system required by this subpart must provide a level of cathodic protection that complies with one or more of the applicable criteria contained in Appendix D of this part. If none of these criteria is applicable, the cathodic protection system must provide a level of cathodic protection at least equal to that provided by compliance with one or more of these criteria.

The North Slope Borough (NSB) failed to provide adequate cathodic protection for the Nuiqsut natural gas transmission pipeline (NNGP) as required by §192.463 for the years 2011 and 2012. Cathodic protection levels at Test Stations 2, 4, and 7 on the NNGP did not meet the cathodic protection criteria that are required by Part 192, Appendix D (I (1), I (3), II, III). The annual cathodic protection reports prepared by your consultant, Taku Engineering, for the years 2011 and 2012 confirm that Test Stations 2, 4, and 7 did not meet

the -850 mV instant-off potential, nor the 100 mV depolarization, as required by Appendix D. Therefore, the NSB failed to meet the requirements of §192.463.

2. §192.479 Atmospheric corrosion control; General.

(a) Each operator must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.

(b) Coating material must be suitable for the prevention of atmospheric corrosion.

(c) Except portions of pipelines in offshore splash zones or soil-to-air interfaces, the operator need not protect from atmospheric corrosion any pipeline for which the operator demonstrates by test, investigation, or experience appropriate to the environment of the pipeline that corrosion will-

(1) Only be a light surface oxide; or

(2) Not affect the safe operation of the pipeline before the next scheduled inspection.

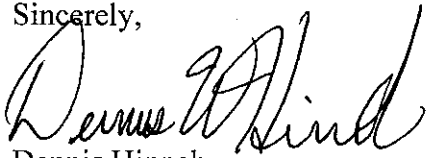
The NSB failed to protect sections of the NNGP pipeline from atmospheric corrosion as required by §192.479 (b). The coating on the NNGP pipeline is damaged, specifically at U-bolt and stress point locations, to the extent that moisture has penetrated beneath the coating and has corroded the pipeline beyond a light surface oxide. In some sections, the steel surface has corroded away and in some sections deep pitting could be observed.

In 2010, the NSB performed a coating damage assessment on the NNGP pipeline. The assessment was performed by QA Services, Inc. The data from this report showed approximately 150 locations where coating damage had occurred on the NNGP pipeline. Further, moisture had entered these locations and had caused atmospheric corrosion. Many pipeline locations sustained damage, specifically at U-bolt locations, due to movement of the pipeline, which was caused by wind vibration and expansion and contraction of the pipeline. Since these locations exhibited atmospheric corrosion beyond a light surface oxide, the NSB failed to meet the requirements of §192.479 (b).

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a related series of violations. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the item(s) identified in this letter. Failure to do so will result in the North Slope Borough being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 5-2013-0008W** and send all documents to our office at 188 W. Northern Lights Blvd., Suite 520, Anchorage, AK 99503. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. 552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b).

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis Hinnah", written over a horizontal line.

Dennis Hinnah
Deputy Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
PHP-500 Jon Strawn (#143384)